

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
YEAR 2000 DISCLOSURES

The "Year 2000 Issue" (Y2K) arises because most computer software programs allocate two digits to the data field for "year" on the assumption that the first two digits will be "19". Such programs will thus interpret the year 2000 as the year 1900, the year 2001 as 1901, etc., absent reprogramming. Y2K affects both computer hardware (i.e., the embedded logic of computer chips) and computer software, and could impact both the ability to enter data into the computer programs and the ability of such programs to correctly process data. Y2K affects the computer applications of the Agency and its vendors, servicers, originating agents, investment providers and bond trustees.

The Agency completed its assessment of the impact of Y2K on its computer application systems, and their supporting infrastructure. The Agency identified five mission-critical application systems, one critical application system, and the Agency's Local Area Network (LAN) as systems essential to conducting operations. The Agency is in the process of assessing the Y2K effect on other equipment. The Agency defined mission-critical computer systems as those for which there are no reliable manual alternatives and for which failure to be in Y2K compliance would prevent the Agency from fulfilling its mission. Critical systems were defined as those for which there are manual alternatives, but the Agency would unlikely be able to fully or efficiently perform the functions manually, because of the volume of manual activity that would be required.

The Agency is responsible for additions to and maintenance of one of its mission-critical application systems. Validation/testing of this mission-critical application system for Y2K compliance is complete. Validation/testing was accomplished by utilizing the current production database, then adding and modifying data through all system functions using dates within the range of years 1999 through 2050.

Private vendors are responsible for maintaining the remaining four mission-critical application systems and the one critical application system of the Agency. The Agency is currently in the process of validating and testing these systems. The validation/testing stage is when the Agency validates and tests the changes made during the conversion process. Vendors who are maintaining the software for each of these five systems have provided certifications that their software is Y2K compliant.

The Agency's LAN provides the supporting computer system infrastructure upon which the Agency application systems reside and are processed. The LAN has multiple hardware and software components which include server, workstations, and network operating system. The LAN and its components are in the validation/testing stage.

The completion of all stages identified as necessary to address the Y2K issue is not a guarantee that systems and equipment will be year 2000 compliant.

The Agency's Y2K initiatives have not resulted in the commitment of significant financial resources as of the end of the Agency's reporting period.

The Agency is soliciting information from other organizations whose Y2K compliance could affect the Agency regarding the status of their assessment, remediation, and testing of their computer applications. Of the organizations who have responded to date, all expect to achieve compliance in a manner that will not have a materially negative effect on the Agency's operations or financial status, although no assurances can be given that circumstances will not change. The Agency does not have full and complete information, however, from these other organizations regarding the status of implementing Y2K compliance. Any failure by some or all of these organizations to be in Y2K compliance may have a material negative impact on the Agency's operations or financial status.